

RHODE ISLAND COMMERCE CORPORATION

MEETING OF DIRECTORS

PUBLIC SESSION

The Board of Directors of the Rhode Island Commerce Corporation (the “Corporation”) met on January 25, 2016, in Public Session, beginning at 5:00 p.m. at the offices of the Corporation, located at 315 Iron Horse Way, Suite 101, Providence, RI 02908, pursuant to the public notice of meeting, a copy of which is attached hereto as Exhibit A, as required by applicable Rhode Island law.

The following Directors were present and participated throughout the meeting as indicated:, Governor Gina M. Raimondo, Dr. Nancy Carriuolo, Tim Hebert, Mary Jo Kaplan, Jason Kelly Michael F. McNally, Ronald O’Hanley, Donna M. Sams, Vanessa Toledo-Vickers, Mary Lovejoy and Karl Wadensten.

Directors absent were: Bernard V. Buonanno III and George Nee

Also present were: Secretary of Commerce Stefan Pryor, Darin Early, Wade Gibson, Jeremy Licht and Thomas Carlotto.

1. CALL TO ORDER AND OPENING REMARKS

Ronald O'Hanley called the meeting to order at 5:04 p.m. indicating

that a quorum was present.

2. TO CONSIDER FOR APPROVAL PUBLIC SESSION MINUTES FOR THE MEETINGS HELD DECEMBER 21, 2015 AND JANUARY 4, 2016

Upon motion duly made by Mr. McNally and seconded by Ms. Toledo-Vickers, the following vote was adopted:

VOTED: To approve the Public Session Minutes for the meetings held on December 21, 2015 and January 4, 2016.

Voting in favor of the foregoing were: Dr. Nancy Carriuolo, Tim Hebert, Mary Jo Kaplan, Jason Kelly, Michael F. McNally, Ronald O'Hanley, Donna M. Sams, Vanessa Toledo-Vickers, Mary Lovejoy and Karl Wadensten.

Voting against the foregoing were: None.

3. TO CONSIDER THE EXECUTIVE SESSION MINUTES FOR THE MEETING HELD ON JULY 25, 2015.

4. TO CONSIDER THE APPLICATION OF BOURNE AVENUE CAPITAL PARTNERS FOR TAX CREDITS UNDER THE REBUILD RHODE ISLAND TAX CREDIT PROGRAM.

5. TO CONSIDER THE APPLICATION OF JOHN M. CORCORAN & CO., FOR TAX CREDITS UNDER THE REBUILD RHODE ISLAND TAX CREDIT PROGRAM.

6. TO CONSIDER AN AWARD TO THE CITY OF PROVIDENCE UNDER THE TAX STABILIZATION INCENTIVE PROGRAM

Secretary Pryor noted that the applications which would be described were the first applications under the Rebuild Rhode Island Tax Credit program and the Tax Stabilization Incentive program and thanked Messrs. Early and Saglio and the staff for their hard work.

Secretary Pryor briefly explained the importance of the Tax Stabilization Incentive Program for projects where tax stabilization was essential to the economic viability of the projects but where a municipality might not otherwise be inclined to forego revenue to the extent sought. The Tax Stabilization Incentive program provides a grant of up to 10% of the amount of foregone revenue to provide an incentive to municipalities to provide the requested tax stabilization.

Secretary Pryor also emphasized the importance of residential

projects such as those proposed for the Rebuild Rhode Island Tax Credit program as evidenced by recently received reports from consultants HR&A and Brookings.

Mr. Early briefly described the analysis that the team had applied to the projects and introduced Mr. Saglio.

Mr. Saglio first described the Rebuild Rhode Island Tax Credit Projects; the mixed use project consisting of 39 residential units and commercial retail space at 93 Cranston Street in Providence proposed by Bourne Avenue Capital Partners and 93 Cranston LLC; and the residential project proposed by John M. Corcoran & Co., at the corner of Smith and Canal Streets in Providence. Mr. Saglio noted that the proposals included taxpayer protection mechanisms.

Mr. McNally asked what assurances there were that the projects would not go forward "but for" the requested assistance, and Mr. Saglio described the analysis conducted to verify the need.

Mr. Saglio went on to describe the application by the City of Providence under the Tax Stabilization Incentive program related to the development of an extended-stay hotel at 111 Fountain Street by the Procaccianti Group.

Upon motion duly made by Ms. Sams and seconded by Mr. Hebert, the following vote was adopted:

VOTED: That pursuant to Rhode Island General Laws Sections 42-46-5(a)(2) and 42-46-5(a)(7) to enter into executive session to approve the Executive Session minutes for the meeting held on July 25, 2015 and to consider a question of the investment of public funds.

Voting in favor of the foregoing were: Dr. Nancy Carriuolo, Tim Hebert, Mary Jo Kaplan, Jason Kelly, Michael F. McNally, Ronald O'Hanley, Donna M. Sams, Vanessa Toledo-Vickers, Mary Lovejoy and Karl Wadensten.

Voting against the foregoing were: None

The Board, counsel and staff entered into closed session at 5:20 p.m.

The Public Session reconvened at 5:56 p.m..

Governor Raimondo had joined the meeting during the closed session and assumed the chairmanship.

Upon motion duly made by Mr. Wadensten and seconded by Mr. Hebert, the following vote was adopted:

VOTED: To have the minutes of the Executive Session not be made available to the public, except as to such portions of the minutes as the Board ratified and reports in Public Session of this meeting.

Voting in favor of the foregoing were: Dr. Nancy Carriuolo, Tim Hebert, Mary Jo Kaplan, Jason Kelly, Michael F. McNally, Ronald O'Hanley, Donna M. Sams, Vanessa Toledo-Vickers, Mary Lovejoy and Karl Wadensten.

Voting against the foregoing were: None

Mr. O'Hanley asked how the taxpayers would be protected in the event of "upside" in the project. Mr. Saglio indicated that there was a mechanism that had been negotiated that if the project outperforms financial expectations the taxpayers will share in that return. Secretary Pryor noted that this was an accomplishment.

Ms. Sams noted that while the programs were primarily incentives, she wanted to know, regarding the economic analysis related to the projects, how the Corporation was going to capture the economic impact of the projects are and how that data would be captured.

Secretary Pryor responded that the programs actually have two goals: stimulus of economic activity and to create a vibrant 24/7 live/work environment in Providence. In so doing the projects would catalyze economic activity generally and create an environment conducive to business. Mr. Saglio then explained the specific

methods by which costs would be verified over the five-year course of the disbursement of the tax credits and that there would be a regular dialogue with the developers during that period. Secretary Pryor noted that there would be no flow of funds until a certificate of occupancy was issued for the projects and that this was a built in protection that the hard asset would be created before the funds begin to flow from the state.

Upon motion duly made by Ms. Toledo-Vickers and seconded by Mr. O'Hanley, the following vote was adopted:

VOTED: To approve the application of Bourne Avenue Capital Partners/93 Cranston, LLC for tax credits under the Rebuild Rhode Island Tax Credit program

Voting in favor of the foregoing were: Dr. Nancy Carriuolo, Tim Hebert, Mary Jo Kaplan, Jason Kelly, Michael F. McNally, Ronald O'Hanley, Donna M. Sams, Vanessa Toledo-Vickers, Mary Lovejoy and Karl Wadensten.

Voting against the foregoing were: None.

A copy of the Resolution is attached hereto as Exhibit B.

Upon motion duly made by Ms. Toledo-Vickers and seconded by Mr. Hebert, the following vote was adopted:

VOTED: To approve the application of John M. Corcoran & Co. for tax credits under the Rebuild Rhode Island Tax Credit program

Voting in favor of the foregoing were: Dr. Nancy Carriuolo, Tim Hebert, Mary Jo Kaplan, Jason Kelly, Michael F. McNally, Ronald O'Hanley, Donna M. Sams, Vanessa Toledo-Vickers, Mary Lovejoy and Karl Wadensten.

Voting against the foregoing were: None.

A copy of the Resolution is attached hereto as Exhibit C.

Upon motion duly made by Mr. O'Hanley and seconded by Mr. Hebert, the following vote was adopted:

VOTED: To approve the application of the City of Providence for an award under the Tax Stabilization Incentive program

Voting in favor of the foregoing were: Dr. Nancy Carriuolo, Tim Hebert, Mary Jo Kaplan, Jason Kelly, Michael F. McNally, Ronald O'Hanley, Donna M. Sams, Vanessa Toledo-Vickers, Mary Lovejoy and Karl Wadensten.

Voting against the foregoing were: None.

A copy of the Resolution is attached hereto as Exhibit D.

Before moving to the next agenda item, the Governor paused to thank the staff for their hard work in quickly developing regulations and bringing applications before the Board under the Rebuild Rhode Island Tax Credit and Tax Stabilization Incentive programs, which had only been approved by the General Assembly in June of 2015.

Secretary Pryor also thanked the principals of the applicants for attending the meeting and for their hard work in bringing the programs to fruition.

7. TO CONSIDER FOR APPROVAL PRINCIPLES AND GUIDELINES IN RELATION TO GRANT PROGRAMS.

The Governor introduced Jeremy Licht to elaborate upon the principles and guidelines.

Mr. Licht noted that the principles and guidelines for grant proposals were similar to the principles and guidelines previously approved at the December Board meeting for the Rebuild Rhode Island Program and the Qualifying Jobs Tax Credit program. He then went on to

describe the principles relating to application completeness and consistency, program eligibility, risk assessment, outcome measurement and reporting.

Mr. O'Hanley commented that he thought the guidelines were outstanding and professional and show that we mean business.

Mr. Hebert noted that the guidelines were consistent with those approved in December and emphasized the importance of consistency.

Dr. Carriuolo noted that the Outcomes Measurement section, number 4, was really good but suggested that in number 5 it would be better to add outcome measures in the annual reports.

Mr. Licht noted that the provision was drafted to require reporting of activities, but that outcomes should also be reported.

Upon motion duly made by Mr. Hebert and seconded by Ms. Kaplan, the following vote was adopted:

VOTED: To approve the Grant Application Review and Evaluation Principles, amended as proposed by Dr. Carriuolo.

Voting in favor of the foregoing were: Dr. Nancy Carriuolo, Tim Hebert, Mary Jo Kaplan, Jason Kelly, Michael F. McNally, Ronald

O'Hanley, Donna M. Sams, Vanessa Toledo-Vickers, Mary Lovejoy and Karl Wadensten.

Voting against the foregoing were: None.

A copy of the Grant Application Review and Evaluation Principles is attached hereto as Exhibit E.

8. TO CONSIDER FOR APPROVAL AWARDS UNDER THE INNOVATION VOUCHER PROGRAM IN THE AGGREGATE AMOUNT OF UP TO \$500,000.00.

Secretary Pryor gave a brief overview of the Innovation Voucher program noting that it enables companies seeking R&D assistance to connect with universities and other partners in order to carry out their work. He noted that companies had scaled back R&D activities in the wake of the Great Recession and that the program was aimed at connecting Rhode Island businesses with universities, medical centers and other institutions that enable companies to carry out their R&D externally.

Secretary Pryor referred the Board members to the Brookings Report, a central observation of which was that while Rhode Island has great research institutions, the connections to private industry are too few and too weak. In citing the report Secretary Pryor noted that its description of Rhode Island's R&D enterprise as "uneven"

was a kindness as Rhode Island has punched below its weight in R&D activity. Secretary Pryor noted that the program was oversubscribed and he recognized Christine Smith to further describe the applications.

Ms. Smith presented slides describing the program and the process and noted that each grant cannot exceed \$50,000.00 and that the applicants must be Rhode Island businesses of 500 or fewer employees. Ms. Smith further noted that the Governor had announced the program in November 2015, and that staff set a deadline of early January 5, 2016 for applications so that they could complete their review and present the applications to this meeting. They received 34 applications, totaling requests of \$1.4 million in funding, approximately three times the amount allocated. Staff recommends applications totaling just over \$450,000, having reviewed the applications and consulted with the Directors of Investments, Client Services and Financial Services.

Ms. Smith briefly described the applications and the industries represented, including aquaculture, defense, clean energy, biomedical, aerospace and robotics.

Mr. Wadensten noted that the applications presented a great array of companies.

The Governor noted that it was good not to have all our eggs in one

basket and it was good to have a broad portfolio with a relatively small amount of money at risk.

Ms. Toledo-Vickers noted that 11 of 34 applications were recommended and asked how many of the remaining 23 applications had incomplete applications or were otherwise not ready, and how many of them, if more money had been budgeted, would have been added to this cycle.

Ms. Smith said that all 34 applications had some degree of promise, that three applications were incomplete but that the 31 that were complete all presented interesting projects, but that some projects failed to tell their whole story and that staff would be getting back to them to tell them how they could strengthen their applications, and that were there more money, at least a dozen, with some tweaking, would be viable, while others were just at a very early stage.

Mr. Early noted that the applications that weren't being recommended would have to mature their concepts or clarify how they will be working with their partner institutions, and noted that the team would be working with the applicants to implement such improvements.

Ms. Toledo-Vickers said that the beauty of the program was that it brings real life projects into the universities and gives students a chance to work in real life projects outside of academia.

The Governor observed that the Brookings Report indicates that Rhode Island, while having good patents per capita, college graduates per capita and lots of higher education, is deficient in industry/academic collaboration.

Ms. Lovejoy inquired as to the process for obtaining more funding for the program and the Governor indicated that it would have to come from the General Assembly.

Mr. Wadensten observed that the Board's work on these incentive programs was similar to the Toyota Obeya system and noted that during his tenure on the board through two administrations he had not seen the current level of activity, and suggested that similar to the obeya system, posters showing the approved applications for the several programs might be added to the boardroom walls as a reminder of the Board's activities.

As Rhode Island College was involved with one of the applications, Dr. Carriuolo recused herself from voting on the matter.

Upon motion duly made by Mr. Wadensten and seconded by Ms. Toledo-Vickers, the following vote was adopted:

VOTED: To approve the recommended awards under the Innovation Voucher program.

Voting in favor of the foregoing were: Dr. Nancy Carriuolo, Tim Hebert, Mary Jo Kaplan, Jason Kelly, Michael F. McNally, Ronald O'Hanley, Donna M. Sams, Vanessa Toledo-Vickers, Mary Lovejoy and Karl Wadensten.

Voting against the foregoing were: None.

Dr. Carriuolo, as noted above, recused herself.

A copy of the Resolution is attached hereto as Exhibit F.

The Governor encouraged the members of the Board to review the Brookings Report if they had not already done so, as it provides a diagnosis of what has gone wrong in Rhode Island, in particular with regard to its advanced industries, and makes recommendations as to what may be done to improve advanced industries.

Vote to Adjourn.

There being no further business in Public Session, the meeting was adjourned by unanimous consent at 6:27 p.m., upon motion made by Mr. Hebert and seconded by Mr. Wadensten.

Thomas Carlotto, Secretary